

PUBLIC FEEDBACK STATEMENT

Feedback Statement on the Exposure Draft on Complaints Handling Summary of Key Feedback Received from Public Consultation and Bank Negara Malaysia's Responses

In October 2024, Bank Negara Malaysia (BNM) has issued an Exposure Draft on Complaints Handling for public consultation. BNM has received feedback from 118 respondents, comprising 49 banking institutions (covering commercial banks, Islamic banks, development financial institutions, digital banks and investment banks), 46 insurers and takaful operators, 12 e-money issuers, 3 payment system operators, 4 financial advisers and 4 insurance and takaful brokers. We wish to record our appreciation for the effort made in providing valuable insights and feedback that have in turn assisted BNM in finalising the requirements in the Policy Document on Complaints Handling (CH PD).

This Feedback Statement is intended to summarise the key feedback received and BNM's corresponding responses to provide greater insights on BNM's regulatory expectations to achieve the desired outcome of complaints handling. Other relevant feedback, suggestions and queries have been incorporated in the CH PD.

No	Areas	Feedback received	BNM's Responses
1.	Effective date of the CH PD	<p>We have observed feedback from some Financial Service Providers (FSPs) expressing concerns with the proposed timeline for the CH PD to become effective six months following its issuance.</p> <p>Generally, FSPs indicated that a more feasible implementation period would be between nine to twelve months from the date of issuance mainly due to system and standard operating procedures (SOPs) enhancements that are deemed necessary to operationalise the requirements outlined in the CH PD. This includes capturing and tracking complaints in accordance with the revised turnaround time, allocating resources for effective implementation, and providing adequate training to staff on the updates to internal SOPs.</p>	<p>Upon reviewing industry feedback, BNM has taken into consideration the need for timely implementation of the CH PD to allow ample time for industry adaptation and refinement of internal systems and processes. Accordingly, BNM has set the CH PD's effective date for twelve months upon its issuance, on 1 April 2026.</p> <p>However, the requirements outlined in paragraph 12 regarding Decision and Referral, which aim to ensure the availability of a redress channel for consumers, will take effect immediately upon the issuance of the CH PD on 28 March 2025.</p>

PUBLIC FEEDBACK STATEMENT

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2.	Applicability to approved persons	We noted several concerns on the applicability of the requirements on approved persons, particularly payment system operators (PSOs), who are proposed to be excluded from the entire requirements in the CH PD, as PSOs have no direct relationship with retail consumers.	Under the CH PD, approved persons as defined in paragraph 5.2, including PSOs, are required to comply only with paragraph 12 on Decision and Referral, while they are encouraged to adopt other requirements in the CH PD as best practices.
3.	Providing written acknowledgement within one working day	We noted concerns raised by FSPs that providing written acknowledgment for every complaint within one working day, including the name of the FSP's contact person and the estimated turnaround time for resolution, may be impractical as the FSPs need to assess whether the case is simple or complex. Additionally, due to system limitations and frequent staff turnover, assigning a contact person could present a significant challenge for the FSPs.	<p>Considering that the policy intent of paragraph 11.3 of the CH PD is to assure consumers that their complaints have been received and will be addressed promptly, our expectation is for the FSPs to provide a generic response as an acknowledgement to confirm receipt of the complaint. This can be achieved through system automation.</p> <p>BNM has made further refinements and revised the second part of the requirements in paragraph 11.3 accordingly in the CH PD, where the FSPs now are only expected to provide details of the contact point i.e., complaints handling function, instead of a specific contact person. Therefore, issuing a written acknowledgement within one working day should suffice.</p> <p>To further clarify BNM's expectations regarding this requirement, FSPs are expected to furnish detailed contact information, such as a direct phone number, that promptly directs consumers to the complaints handling function, without unnecessary delays or complications. This aims to minimise instances of consumers being passed around.</p>

PUBLIC FEEDBACK STATEMENT

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4.	Definition of simple and complex cases	<p>To ensure standardisation across all FSPs, majority of the FSPs recommended for BNM to provide a clear definition of simple and complex cases, which may include a non-exhaustive baseline categorisation of considerations, examples or scenarios to differentiate the two. This may also include providing a checklist of factors like financial impact, legal complexity, or multi-department involvement.</p> <p>This ensures better understanding and consistency in practices within each FSP and will enable the industry to ensure full compliance with the expectations under the CH PD.</p>	<p>BNM's review of the internal parameters and criteria adopted by each FSP provides assurance that these parameters align closely with BNM's expectations regarding the considerations and factors used to differentiate the two categories of complaints.</p> <p>It is also recognised that a definitive list of parameters provided by BNM could potentially limit the flexibility of implementation across different FSPs. This consideration takes into account that each FSP operates differently depending on its size and nature of business, and the ability to tailor parameters to suit each FSP's specific operational needs is crucial. A prescriptive list might constrain FSP's capacity to adapt its parameters to evolving market conditions and consumer needs, thereby impacting the effectiveness and agility of its complaints handling mechanism.</p> <p>Nevertheless, for the purpose of providing broad guidance to the industry, the following parameters may be used to classify complaints as complex, which include, but are not limited to:</p> <ul style="list-style-type: none"> a) Requiring material information or document from third party; b) Requiring longer timeframe due to additional assessment, detailed investigations or resolutions, or decisions required from the FSP's Senior Management; c) Involving multiple products, services, business units; or d) Having potential legal implications or regulatory action.

PUBLIC FEEDBACK STATEMENT

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5.	Definition of complaints	<p>Majority of the respondents seek BNM's clarification on the definition of "complaints", especially on the following areas:</p> <ul style="list-style-type: none"> a) Phrase "whether justified or not" introduces ambiguity; and b) Whether quick kill cases (i.e., cases that are handled and resolved at the point of contact and do not require further investigation) are considered as complaints. 	<p>The definition is intentionally made as broad as possible to ensure that all potential issues and concerns raised by consumers are captured and addressed by FSPs effectively.</p> <p>By adopting an inclusive definition, it ensures that no consumer grievances are overlooked, regardless of their nature or perceived significance. This comprehensive approach enhances consumer satisfaction by demonstrating a commitment to listening to and resolving all types of feedback, from minor inconveniences to more serious issues.</p> <p>A broad definition, that includes the phrase "whether the complaint is justified or not", also helps in identifying systemic problems, as it encourages the collection of a wide range of data points that can reveal patterns and trends in consumer experiences. Furthermore, it fosters transparency and accountability by providing consumers with a clear and welcoming channel to voice their concerns, ultimately strengthening trust in the financial industry.</p>
6.	Policies and procedures (P&P)	<p>While majority of the FSPs are agreeable with the minimum expectations regarding FSP's P&P on its complaints handling mechanism, several FSPs seek further clarification on certain areas:</p> <ul style="list-style-type: none"> a) Whether FSP can leverage on verbal channels such as phone calls for acknowledgement of complaint as well as issuing final decision; b) Type of exceptions to the P&P that is allowed under the CH PD, including the level of authorities within the FSP; 	<p>The requirements on FSP's P&P for handling complaints are intentionally drafted in broad terms to ensure flexibility and adaptability. This approach allows each FSP to tailor its complaints handling mechanism to fit its unique or specific operational needs and organisational structure while adhering to the overarching regulatory standards.</p> <p>By providing a framework that is not overly prescriptive, FSPs can develop and implement complaints handling strategies that align with their specific business models,</p>

PUBLIC FEEDBACK STATEMENT

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		<p>c) Type or method of empowerment to the complaints handling unit; and</p> <p>d) Guidance on how to manage unreasonable complainant and different treatment for vulnerable consumer.</p>	<p>consumer demographics, and products and service offerings. In this regard, FSPs are expected to determine their own complaints handling process, so long as such exceptions, authorities, empowerment and guidance are clearly specified and defined in the FSP's P&P, and the implementation of such P&P can efficiently address consumer consumers in a fair and timely manner.</p> <p>Nonetheless, BNM wishes to clarify that the applicability of written acknowledgement under paragraph 11.3 of the CH PD is to complaints received in written form.</p>
7.	Accessibility	<p>While majority of the FSPs are agreeable with the minimum expectations regarding the level of transparency required on FSP's complaints handling channels, some FSPs are of the view that the display of information required i.e., at front counter, estimated turnaround time and placement of "Contact Us" tab on the top of website, may be negatively viewed.</p> <p>As such, respondents recommended BNM to allow flexibility on the level of disclosure of information required or to alternatively use the word "feedback" and not the word "complaint".</p>	<p>Based on the consumer survey conducted by BNM as part of this review, as well as past experiences in handling complaints escalated to BNM, it is crucial for FSPs to enhance their disclosure of information so that consumers are aware on the available channels to address their concerns. Allowing flexibility in these areas can lead to confusion and subpar standards implemented by the industry, resulting in misalignment with consumer expectations. However, FSPs may use the word "complaint" or other alternative wording, provided that the intended outcome i.e., facilitating ease of reporting and categorisation of complaints, feedback, and inquiries, is achieved.</p> <p>Similarly, maintaining a standardised level of information disclosure is essential for transparency and accountability. By setting clear expectations on what information must be disclosed and how, FSPs can ensure that consumers receive the necessary details to understand the resolution process, thereby fostering</p>

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			<p>trust and confidence in the complaints handling mechanism.</p> <p>Nevertheless, the minimum information provided in the process flow chart under Appendix I of the CH PD serves as guidance. FSPs are encouraged to provide additional information where necessary.</p>
8.	Responsiveness	<p>Majority of the FSPs highlighted concerns with regards to the turnaround time specified in paragraph 11 of the CH PD, especially on the reasonableness of the requirement to issue a final decision within 30 working days for complex cases requiring third party information. This is in view that longer time is required for complex cases e.g., technical resolution of system or network issues by vendor as well as delays in retrieving hospital or police report to validate a claim.</p> <p>Some FSPs also highlighted that it is unfair and prejudicial to the FSP and consumer if a decision is made based on incomplete information or document and may give rise to legal risks. As such, they recommended BNM to extend the turnaround time, allow establishment of procedures or exceptions for complaints exceeding 30 working days or allow the turnaround time to start from the date of complete information or document, similar to the requirement in the current Complaints Handling Guidelines.</p>	<p>Taking the feedback received into consideration, BNM has revised the requirement accordingly to minimise the legal risk <u>to FSPs from making uninformed decision due to incomplete information or documents from a third party</u>. Under paragraph 11.9 of the CH PD, read together with paragraph 7.3(e), in exceptional circumstances where a FSP fails to obtain the required information or documents from the third party within 30 working days, the FSP shall establish internal policies and procedures for handling complaints that exceeds 30 working days, applying greater responsibility on FSP's Senior Management to ensure proper resolution of such complaints.</p>
9.	Progress update to consumers	<p>Some FSPs highlighted concerns with regards to the requirement specified in paragraph 11.12, where FSP is required to provide updates on the progress of the case to financial consumers at least on a weekly basis. Notable feedback include:</p>	<p>These concerns are particularly relevant given the short weekly interval to obtain substantial updates and potential strain on manpower that could be burdensome for the FSPs. BNM acknowledges that a more balanced</p>

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		<p>a) Weekly progress update is impractical as the interval is too short, often leading to minimal progress, which may frustrate consumers who are seeking real answers and tangible progress; and</p> <p>b) Require significant resources and time to follow-up, prepare and distribute updates, potentially diverting attention from more critical assessments and investigations.</p>	<p>approach, with less frequent but more substantive updates, may better serve both FSPs and consumers.</p> <p>To this end, BNM has revised the requirement for progress updates accordingly in the CH PD.</p>
10.	Translation of FSP's final decision	<p>While most of the FSPs did not have any concerns in providing translations of the final decision in Bahasa Malaysia, which include arranging for bilingual staff to convey the final decision to customers in Mandarin and Tamil, some FSPs foresee challenges in communicating effectively with foreign consumers who only converse in their native language for example, Japanese. As such, for such complainants (who are minimal in number), the FSPs recommend maintaining replies in English to ensure they receive clear and understandable information regarding their complaints and resolutions.</p> <p>Additionally, some FSPs also seek clarification on whether the expectation is for responses to include multi-language statements or if a single primary language response is acceptable, with a backup template in different languages available upon customer request.</p>	<p>Paragraph 12.2(c) of the CH PD requires FSP to provide a translation of the final decision for consumers who face difficulty in understanding due to language barriers. Considering the availability of language translation technology and tools, it is crucial that the final decision on a complaint is provided in the consumer's preferred language upon request. This approach not only ensures clear and accurate communication but also demonstrates respect for the consumer's cultural and linguistic preferences, enhancing their overall experience and satisfaction. Furthermore, providing decisions in the consumer's preferred language can help ensure that the resolution process is transparent and comprehensible, avoiding misunderstandings and further escalation to alternative redress avenues.</p>